



UNCONSOLIDATED ANNUAL REPORT 2018

**Board of Administrators of
Farmaceutica REMEDIA S.A.**

Farmaceutica REMEDIA S.A.

Registered office: Deva 330160, No. Dorobantilor Street, Hunedoara County

Branch office: Bucharest, 041836, 4th City District, No. 78 Metalurgiei Blvd., Telephone/fax +40 21 321 16 40

Telephone/fax: + 40 254 223 260 remedia@remedia.ro, www.remedia.ro

Trade Register J20/700/1991, TIN: RO2115198; Share capital: RON 10.608.980

IBAN: R033 RZBR 0000 0600 0266 5747, RAIFFEISEN UNIRII Bucharest,

UNCONSOLIDATED ANNUAL REPORT 2018

Board of Administrators of Farmaceutica REMEDIA S.A.

A. Name of the commercial company: **Farmaceutica REMEDIA S.A.**

Subscribed share capital: **10.608.980 Lei**
Paid-up share capital: **10.608.980 Lei**
Registered office: **DEVA, No. 43 Dorobantilor Street,**
Tel. / Fax: **0254 223 260 / 0254 226 197**
No. and date of registration with the T.R.O.: **J20/700/25.07.1991**
Tax Identification Number: **R02115198**

Securities: **RMAH shares (Registration certificate No. 1470/04.05.2009)**
Type: **Dematerialised Nominative Common**
Date of registration: **17.03.1997**
Nominal value/share: **0.10 Lei**
Position in the R.N.S.C. Register: **1636**
Total number of shares: **106.089.800**
R.N.S.C. code of shares: **16368**

	Date	Number of shares	Issue value (Lei)	Explanations
1	10.11.1999	3.370.107	337.010,70	Initial capital of the state, including land contributed in kind
2	06.09.2001	1.500.000	150.000,00	Cash contribution of V.TARUS RoAgencies
3	23.07.2003	42.402	4.240,20	Merger - capital of Ditafarm Trading – acquired company
4	05.01.2006	5.696.471	569.647,10	Merger - capital of V.TARUS RoAgencies – acquired company
5	21.12.2007	87.905.969	8.790.596,90	Capital increase – shareholders with pre-emption right
6	04.05.2009	7.574.851	757.485,10	Capital increase – AHG Simcor Industry S.R.L.
	TOTAL	106.089.800	10.608.980	

Organised market on which securities are traded:

Bucharest Stock Exchange - standard category

The total market value on 21.02.2019 is of 47.103.871,2 Lei

The value of a RMAH share is of 0,444 Lei.(as at 21.02.2019)

1. Activity analysis

1.1. Overview

Farmaceutica REMEDIA S.A. (« the Company ») is a commercial company with registered office in Deva, No. 43 Dorobantilor Street, Hunedoara County, Romania.

It was established on 25 July 1991 as a commercial company with fully state-owned capital by reorganisation of the Oficiul Farmaceutic Deva. On 13.10.2000, V.TARUS RoAgencies S.R.L. purchased from FPS the majority shares package (55,802 %). In January 2006, Farmaceutica REMEDIA S.A. merged by absorption with V.TARUS RoAgencies S.R.L.

On **01 January 2016**, Farmaceutica REMEDIA S.A. completed the transfer to Farmaceutica REMEDIA Distribution & Logistics S.R.L., **a company owned 100%**, of the wholesale distribution activities of drugs (by a network of 8 warehouses) together with related activities (logistical services, recordings, promotion and marketing of drugs, etc.), keeping the operation of the chain of 100 pharmacies and local distribution offices.

Although the legal provision on the separation of activities was abrogated, Farmaceutica REMEDIA decided to keep the two legal entities.

In this context, as at 31.12.2018, Farmaceutica REMEDIA S.A. held majority participations (100%) to the company Farmaceutica REMEDIA Distribution & Logistics S.R.L. .

Following the change of the main activity object imposed by the laws above mentioned, the company was forced to buy back from the market (in 2015) a number of 300100 shares at a price established by an authorised assessor.

During 2018, Farmaceutica REMEDIA S.A. did not attend in mergers.

During the same period, the company has not alienated assets of significant value (buildings, lands, shares etc.) with the following exceptions:

- one of the two operating licenses of a pharmacy, held at Alba-Iulia
- part of (104,62 sqm) an immovable held in Deva

1.2. Elements of general evaluation

The financial results of Farmaceutica REMEDIA S.A. for the financial year 2018 indicate a net profit of 2.141.021 Lei, at a net turnover of 99.034.548 Lei. Other operating income were also recorded (1.575.769 Lei), mainly sales of assets (licences of pharmacies and part of a real estate), as well as financial income in the amount of 2.071.581Lei (mainly dividends and discounts received for the advance payment).

The total costs (excluding corporate tax) amounted to the value of 100.484.726 Lei of which:

- Operating expenses – 100.479.640 Lei of which:
 - 75.640.582 Lei is the net cost of sold merchandise (including received commercial discounts)
- Financial expenses – 5.086 Lei of which:
 - 3.850 Lei – discounts for advance collections,

o 1.236 Lei – rate differences

Considering the market of drugs and pharmaceutical products of over 3 billion euros (in 2018), we estimate the market share of the Farmaceutica REMEDIA S.A. Company to approximately 1%.

On 31.12.2018, the liquidities of the company (available in bank accounts and cash registers) amounted to 2.573.340 Lei. On the same date, the company had available (together with FRDL) a multicurrency credit line of 10 million euros, of which used amounts (bank guarantee letters for the good performance of contracts and guarantees for payment to suppliers) by FRDL in the amount of 5.704.377,23 euros. (26.604.645 Lei)

1.3. Evaluation of company's incomes

The incomes from the sale of merchandise reached the value of 96.765.975 Lei (97,71 % from the turnover) with the following allocation of distribution areas:

- West Pharmacies 48.432.005 Lei (50,05 % from the total of merchandise sales)
- Centre Pharmacies 14.526.337 Lei (15,01 %)
- Bucharest Pharmacies 22.800.577 Lei (23.56 %)
- South-East Pharmacies 10.931.548 Lei (11,30 %)
- Other sales 75.508 Lei (0,08 %)

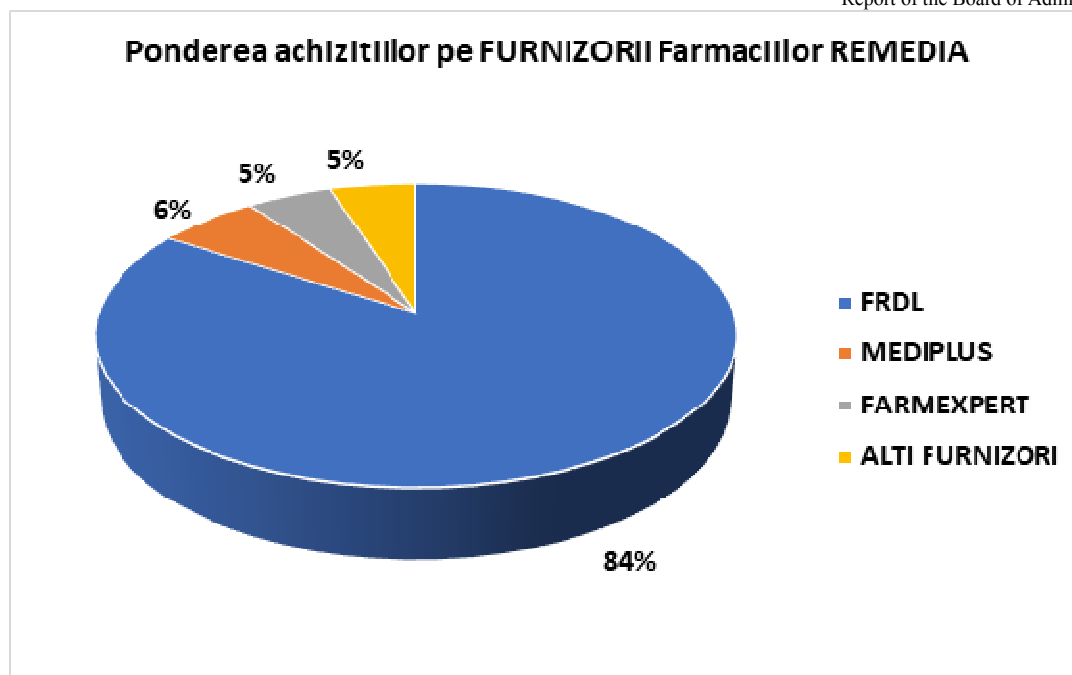
From the activities with added value (invoiced to third parties) and rents, operating income was registered in the amount of 2.268.573 Lei of which:

- rents (including to FRDL) 1.606.511 Lei (1,62 % from the turnover)
- shelf marketing 466.551 Lei (0,47%)

1.4. Evaluation of purchases of merchandise

in REMEDIA Pharmacies, purchases were carried out especially through the FRDL distributor, reaching a share of over 80% as forecasted, and in parallel, the direct collaboration with top 3 pharmaceutical distributors was continued, for added operativity in terms of defect and access to deficient products.

The share of purchases by suppliers is emphasized in the graph below:



Alti furnizori – other suppliers

The consolidation of the centralised purchases process at group level significantly improved the parameters of REMEDIA pharmacies on the following levels:

- Maximising business conditions and accessing additional discount thresholds;
- Increasing the degree of honouring defective products;
- Extending the portfolio of products available upon demand in its own warehouse;
- Operativity in the processing of orders and ensuring the continuity of products in stock;
- Planning purchases, respectively sales per category of product and manufacturers;
- Consolidating the portfolio and establishing the target margin per category of product;

As at 31.12.2018, company stocks, of which a share of 99,9% was represented by merchandise, amounted to 14.766.284 Lei, increasing by 13,49% as compared to the same period last year.

1.5. Evaluation of aspects related to the company's personnel

At the end of 2018, Farmaceutica REMEDIA S.A., recorded a number of 375 employees, of which 335 personnel within pharmacies (89,34%), and the rest of 40 persons being employees of support and management departments.

Of the 375 employees, 173 have higher education studies (46% from the total of employees), 153 have secondary studies (41%), and the rest of 49 persons have average studies (13%).

Of the 173 employees with higher education studies, 138 (80%) have studies in the pharmaceutical field, 12 (7%) in in the economic field, 9 (5%) in the polytechnic field, and 14 (8%) in other fields.

In Farmaceutica REMEDIA S.A. there is no union of employees They have 3 representatives of employees who participate in the negotiation of the collective labour agreement and who represent the employees in relations with the company.

1.6. Evaluation of the aspects related to the impact of the basic activity of the company on the environment.

Farmaceutica REMEDIA S.A. complies with the legislation in the field concerning the environmental protection. There are no disputes concerning the breach of the legislation on environmental protection.

The company contributes to the environmental protection by the selective collection of waste resulted from its own activity. In 2018, over 8 tons of waste, carton packaging and paper were handed over to authorised companies for recovery according to the legal regulations in force.

The services for the monitoring and managing of waste at national level are outsourced to a specialised supplier, who drafts the necessary documents and reports them within the deadline to the Agency for County Regional Environmental Protection.

Farmaceutica REMEDIA collects expired drugs, including those taken over from the population, and hands them over in a centralised manner to the authorised companies for their destruction according to the legal norms approx. 5.4 tons. At the same time, REMEDIA pharmacies collect waste selectively.

In compliance with the EU Directives adopted at the beginning of 2018, Farmaceutica REMEDIA replaced in 2018 the plastic transport bags of 15 microns with bags of min. 50 microns and biodegradable bags were introduced, thus implementing measures to reduce waste and to comply with the legislation in the field.

1.7. Evaluation of the sales and marketing activity

The main customers of Farmaceutica REMEDIA S.A. are the County Health Houses, CASMB and OPSNAJ house. From the total of merchandise sales (without VAT) of 96.765.975 lei, the invoices (without VAT) to health houses represented 33.328.256 Lei (34,44%). There is no significant dependence of the company on a single client. In the top of merchandise clients, the share of position 1 is of 16,06% (Hunedoara County Health House – 15.542.102 Lei without VAT), the first 15 realising together a share of 34,44 % from the total sales (without VAT).

In 2018, the company developed partnerships on the marketing segment with manufacturers such as: GSK Consumer Healthcare, Sanofi, Reckitt Benckiser, Biofarm, Terapia, Antibiotice Iasi, Farmec, Allergika, Auriga etc, in order to access commercial conditions and additional budgets meant to stimulate sales and to and to help patients with new products and competitive prices.

During 2018, a special attention was paid to increasing the quality of services provided to patients, following the participation of the personnel to specialty classes, e-learning actions carried out in partnership with manufacturers, round-tables and other profile events.

The main purpose of REMEDIA Pharmacies was to make their clients loyal through dedicated periodical campaigns, by special offers, by direct and continuous access to a correct information and by providing reliable treatment alternatives.

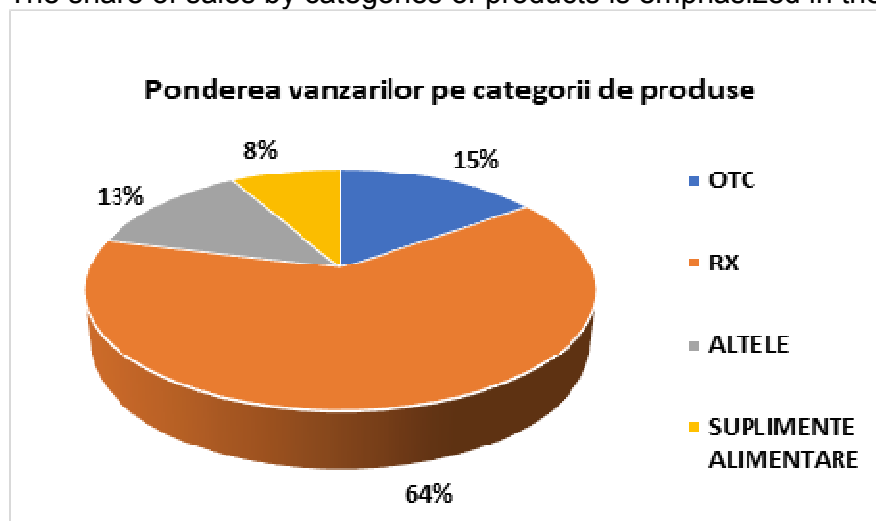
In 2018, as compared to 2017, REMEDIA Pharmacies recorded an increase in net sales by approx. 10% and an increase in the number of units sold by 2%, from 5.360.975 units (2017) to 5.453.548 units (2018).

In order to realise the sales plans and the margin, the following strategical objectives were pursued:

- Careful monitoring of sales and orientation towards most profitable products from the category they are part of;
- Associated recommendation to increase the sales volume;
- Development of partnerships with manufacturers by accessing campaigns and additional budgets but also by running common projects together with them;
- Promotional campaigns dedicated to the final patient (promotional offers, packages, local radio campaigns in Deva, samples etc);

In what concerns the sale on categories, in 2018 a value increase of approximately 12% is recorded on products not requiring a medical prescription for release (non-RX), a category comprising OTC, food supplements, medical devices etc.

The share of sales by categories of products is emphasized in the graph below:



Altele – others, suplimente alimentare – food supplements

The monitoring of sales orients with priority the personnel from pharmacies to the increasing effectiveness and retention of patients through the experimental implementation of the “flow clients” system for counselling, providing associated

recommendations and health advices, in partnership with information and medical guidance centres for the health of patients.

The company carried out marketing campaigns in partnership with manufacturers such as for example: Antibiotice, Bayer, Biofarm, Boiron, GSK, Hipocrate, Reckitt Benckiser, Sanofi, Zentiva, Terapia, Zdrovit, Walmark, Farmec, Allergika, Auriga, Mind Ballance, e-learning services with Berlin-Chemie, Fitermann, Montavit, Servier, Stada, local radio ads in Deva etc. in order to increase sales and to come in the support of patients with new products and competitive prices.

In order to make effective and to realise the sales plan the margin, as well as to increase the quality of services offered to patients of REMEDIA Pharmacies, the management activity was organised on two areas – Area 1 (Deva Area) and Area 2 (Bucharest Area), the structure being coordinated by a National Sales and Marketing Manager, having in its competence two Zonal Managers, which have in their subordination five and respectively four Zonal Coordinators of pharmacies. In the IVth quarter of 2018, the management on Area 2 (Bucharest) was reorganised on two Area Sales Managers to make effective the activity in Bucharest.

The total number of customers of REMEDIA Pharmacies increased, together with the purchase of pharmacies in Bucharest, by 8% totalising approx. 3 mil vouchers annually, and the number of loyal customers reached approx. 200,000 (cards), increasing by approx. 8%, from which the no. of new cards is increasing by approx. 28% in 2018 vs 2017.

Providing safe drugs for patients represents the standard conduct of our companies.

Strict compliance with the quality assurance mechanism by Farmaceutica REMEDIA S.A. has led reporting to zero incidents with counterfeit products during 2018. In order to implement the European Directive No. 2011/62/EU on counterfeit drugs, respectively the drugs serialisation process, Farmaceutica REMEDIA obtained in 2018 the GS1 licence certificate, attesting the membership to the GS1 Romania global organisation.

1.8. Evaluation of the development activity

Farmaceutica REMEDIA S.A. continued in 2018 the modernisation process in its own pharmacies as well. It consisted both in continuous improvement of the two software systems used, and in endowments with new equipment (furniture, computers, light commercials).

All spaces necessary for opening and modernisation of pharmacies were arranged in compliance with the requirements of REMEDIA Pharmacies, the increase of visibility and adaption to the clients' needs by equipping with open space counters, computers, scanners, light commercials.

Development of computer systems:

- adaption to the legislative requirements respectively changing the cash registers
- modernisation of the communications infrastructure (new mail server)

- automating the takeover of customer invoices from the management program into the accounting program
- modernising automatic data exchanges with the FRDL partner (stocks/orders/invoices)
- automatic report for the management
- securing the internal exchange of information (headquarter - pharmacies) (according to GDPR and not only)
- in-house development and implementation of a claims reporting system, as well as for tracking/monitoring in their settlement
- the first "real" inventory with intelligent terminals where unique bar codes are used on packaging
- development and implementation of an electronic archiving system of consents to process personal data, according to GDPR

Online shopping have a strong ascendant trend among urban population and for this reason Farmaceutica REMEDIA S.A. as well initiated the development of the on-line sales platform for the preparation of all mechanisms necessary for the realisation of sales for the time in which the legislation will allow commercialisation of drugs on the internet.

In parallel, campaigns were launched on socialisation networks to increase the visibility of REMEDIA Pharmacies, ensuring the easier access to products, as well as informing clients on new products, as well as of promotions and campaigns carried out by the company.

Due to unsatisfactory results, a pharmacy was sold (from Alba Iulia).

1.9. Evaluating the activity on risk management

The main risks categories identified in 2018 were:

- Risk of non-collection of receivables
- Cashflow risk
- Currency risk

Over 90% from Farmaceutica REMEDIA clients represent the County Health Houses, CASMB, OPSNAJ, Farmaceutica REMEDIA Distribution & Logistics and natural persons – clients of pharmacies. Thus, although in the last months of the year there have been delays to the payment of invoices by Health Houses, we can say that the risk of non-collection is extremely reduced.

Together with the obligation of large international manufacturers to sell drugs lei (in the spring of 2009) the currency risk decreased greatly, especially that direct acquisitions of merchandise in currency are insignificant.

In order to counteract the risk of non-collection of receivables and cash flow, the management of the Farmaceutica REMEDIA S.A. company took a series of steps such as:

- Employing additional personnel within the control departments with increased attributions concerning the verification of stocks, stocks management, initiating and monitoring the court proceedings of debtors as well as the recovery of debts.
- Strict control of costs, within the budgeted amounts, with a positive impact on cash-flow.

1.10. Elements of perspective on the company's activity

In the context in which the pharmaceutical retail is in full consolidation process, REMEDIA evaluates with priority a series of options of collaboration by association with regional players, medium-sized on the pharma market, in order to create together a partnership that remains competitive in relation to the accelerate polarisation of the market. Also, REMEDIA will continue the process to develop partnerships with independent pharmacies.

As known, the Board of Administrators is mandated to identify and negotiate the attraction of investors, purchases and strategic mergers.

In what follows, REMEDIA will also monitor the specialisation process on market niches to ensure the maximum expertise, innovating products and services in cardiovascular, haematology, oncology, dermato-cosmetics field etc. in order to increase satisfaction of partners involved in the chain of health services.

We will pay a special attention to the increase of the quality of processes.

We propose to consolidate the digital transformation of the company and to optimise the services by the development of new platforms – BI, machine learning, B2B, e-shop – and integration of IT&C platforms - wms, tms, ERP.

At the same time, we propose to initiate a process to make more effective the activities of pharmacies in Bucharest by professional promotions, the reduction of operation costs and rents, until the suspension of locations that do not realise a positive result.

2. Fixed assets of the company

Fixed assets (at the remained value) are in the amount of **37.949.388 Lei** having the following structure:

30.281.566 Lei - Tangible assets (lands, constructions, equipment, means of transportation, commercial furniture etc)

7.089.522 Lei - Intangible assets (pharmacies licences and software licences)

578.301 Lei - Financial assets (constituted deposits, paid guarantees).

Within tangible assets, a share of 96,62 % is represented by constructions and lands. They are evaluated at market level, each year, by an authorised assessor. The evaluation at the end of 2018 emphasized an appreciation of 107.623 lei of these assets. (lands + 275.341 lei, constructions +226.122 lei, constructions– 393.840 lei).

Starting with 2012, for the class of tangible assets “Lands and buildings”, the Company passed from the accounting model based on cost to the revaluation model with a significant impact on the annual profit.

2. Shares and shareholding

The market on which the securities issued by Farmaceutica REMEDIA S.A. were negotiated in 2018 was the Bucharest Stock Exchange, Standard category.

The shares of Farmaceutica REMEDIA S.A. are nominative shares in the amount of 0.1 lei/ share, in a number of **106.089.800** shares with the following synthetical property structure as at 31.12.2018, (information provided by the Depozitarul Central):

Shareholders	No. of shares	Share from the share capital (%)
TARUS Valentin-Norbert	69.494.616	65,5055
PAVEL Ionica - Mirela	25.708.094	24,2324
NATURAL PERSONS	5.064.383	4,7737
LEGAL PERSONS	5.822.707	5,4885
Total	106.089.800	100,0000

As at 31.12.2018, the company held 300.100 own shares.

The company does not own subsidiaries and did not issue bonds or debt securities.

4. Dividends

Considering the quantum of the net profit obtained in 2018 (2.141.021 lei), the Board of Administration proposed the distribution to the legal reserve the amount of 109.859 Lei (5,13% from the net profit), to dividends the amount of 1.591.347 Lei (74,33%) and to other reserves the amount of 439.815 Lei (20,54%).

On a medium-term, the company intends to keep the distribution policy to dividends of at least 50% from the net profit.

The quantum of corresponding dividends (distributed from the profit), paid and accrued (remained unpaid) are presented as follows:

	2015	2016	2017	2018	2019
Initial balance	2.114.415	217.459	205.414	214.756	241.226
Distributed gross dividends	1.591.347	0	700.927**	1.060.898	1.591.347*
Tax per dividends paid	96.217	0	34.415	52.675	
Paid dividends	3.392.086	12.045	657.170	981.753	
Dividends to be paid	217.459	205.414	214.756	241.226	

*Proposal

****from the profit of 2016 and reserves**

5. Management of Farmaceutica REMEDIA S.A.

Until 30.04.2018, Farmaceutica REMEDIA S.A. was managed by a Board of Administrators composed of 5 non-executive members, of which one is an independent member, in the following componence:

1. **“TARUS” - Valentin Norbert TARUS e.U.** – President of the Board of Administrators represented by Valentin Norbert TARUS.

He graduated the Polytechnic Institute, and has post-university specialisations in foreign trade and management as well as various classes and seminars for business management.

Mr TARUS has an experience of over 30 years in execution and management positions in productive units, foreign trade and management of his own businesses.

On 12.03.2007, he was appointed the president of the Board of Administrators of Farmaceutica REMEDIA S.A. The date of expiry of his mandate is 30.04.2015.

In the last 5 years, he fulfilled the position of manager in the commercial company:
TARUS & Partner KG Austria, Leopold Moses G. 4/2/46.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

He held on 31.12.2018, 65,5055 % from the shares of Farmaceutica REMEDIA S.A.

The mandate of administrator was renewed on the period 01.05.2018 - 30.04.2019.

2. **CHIRITA Zoe** – member of the Board of Administrators

She graduated in 1977 the Faculty of International Economic Relations, Bucharest University of Economic Studies, and in 1982, she graduated the Faculty of Law of the University of Bucharest.

During the period **1990-1991**, she was Business Development within Imkometal. Until 1993, she held the position of Manager of the General Administration Department at Rominko AG.

During the period 1993-1994, she held the position of General Director at Cyroco Company, and until 2006, she held the same position at the V.TARUS RoAgencies SRL company.

On 12.03.2007, she was appointed member in the Board of Administrators of Farmaceutica REMEDIA S.A. The mandate of administrator was renewed on 01.05.2017 with the validity date 30.04.2019.

She was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. She was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against her. She was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

She owned as at 31.12.2018 – 1.143 shares at Farmaceutica REMEDIA S.A.

3. **BANCIU Mircea** – member of the Board of Administrators

He works within the companies owned by Valentin-Norbert TARUS since 1996. Bachelor of Economic Sciences of the Bucharest University of Economic Studies, Faculty of International Economic Relations, specialisation Management in the economy of tourism and international trade, in 1996.

He has a rich experience in the logistical and administrative activity, international trade and international trade policies, as well as in the management and marketing of tourist and trade activities.

He speaks English language fluently. He is passionate about instrumental music: piano and bass guitar. The mandate of administrator was terminated on 30.04.2018.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

4. **BACIU Ioan** – member in the Board of Administrators

He graduated in 1999 the Faculty of Law of the “Spiru Haret” University of Bucharest. Bachelor of Laws at the Bucharest University – Faculty of Law in 2000. Since October 2016 – Ph.D. student.

Since November 2000 and until September 2005, he worked within several law practices. Since September 2005, he is a senior attorney-at-law of the private partnership of attorneys-at-law RUBIN MEYER DORU & TRANDAFIR affiliated with HERZFELD & RUBIN, P.C., NEW YORK

Since September 2013, he is a member of the Group of experts in public procurement of the European Commission. The mandate of administrator is valid until 30.04.2018.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

5. CHIVU Corina-Andreea – member in the Board of Administrators

In September 2012, she graduated the Faculty of Pharmacy of the “Carol Davila” Medicine and Pharmacy University with the specialisation pharmacy. In 2016, she obtained the specialisation « Clinical pharmacy »

During the period October 2012 – July 2014, she worked within the Dona Pharmacies.

Since August 2014, she works within Farmaceutica REMEDIA, initially occupying the position of Acquisitions Pharmacist, subsequently being promoted to Quality Manager. The mandate of administrator was valid until 30.04.2018.

She was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. She was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against her. She was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

As at 31.12.2018 she did not own shares at Farmaceutica REMEDIA S.A.

Starting with the date of 01.05.2018, the administrators Chivu Corina, Baciuc Ioan and Banciu Mircea were replaced by:

3. SERFAL Management S.R.L. – member of the Board of Administrators represented by Sergiu FALA.

He graduated the Law Faculty within the “Babes-Bolyai” University and has a Master’s Degree in German Studies at the same university.

He began his activity as human resources manager at EBS Software Romania (currently NTT Data).

Since 2002, he joined the company LIDL Stiftung in Germany where he worked for 3 years in the field of sales and expansion. In 2007 he founded LIDL Romania and in 2011 he coordinated the integration of Plus stores in the LIDL network.

As the member of the Board of Administrators of LIDL Romania, he coordinated the Expansion, Constructions, Internal Acquisitions and Logistics Departments.

He speaks fluently German, English, French and Russian. In 2017, he graduated the GM Masterclass Academy modules organised by CBC Romania.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

The mandate of administrator covers the period 01.05.2018 – 30.04.2019

4. **DUBAU Alin** – member of the Board of Administration

He practices the profession of lawyer within the Bucharest Bar since January 2007. The law practice he manages provides consultancy and legal representation services exclusively to companies. He has a relevant experience in the recovery of receivables and forced execution, insolvency, guarantees, company contracts, mergers and acquisitions, alternative settlement of disputes, compliance.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

His mandate of administrator covers the period 01.05.2018 – 30.04.2019

5. **IACOBAS Alexandru** – provisional member of the Board of Administrators

He graduated the Bucharest Academy of Economic Studies section Economic Cybernetics, Statistics and Informatics in 2004.

During the period 2001 – 2016 he established and managed as the General Manager the WinSoft group of companies with an annual turnover of one million Euros. He is the creator of the management pharmacies program PharmaOriginal purchased by 1,300 customers during 15 years.

He speaks fluently English, French and Italian languages.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the past 5 years.

As at 31.12.2018, he did not own shares at Farmaceutica REMEDIA S.A.

His mandate of administrator covers the period 01.02.2019 – 30.04.2019. He replaced in the position of administrator Mr POLL Corneliu (resigned) (mandate 01.05.2018 – 31.01.2019)

The executive management was provided by a general manager that has in his subordination departmental directors and managers. In the financial year 2018 the executive management was provided by **Mrs CHIRITA Zoe**.

6. Affiliated persons of the commercial company Farmaceutica REMEDIA S.A.

On the date of the report, the list of persons affiliated to the company Farmaceutica REMEDIA S.A. is composed of:

- Valentin-Norbert TARUS - Austrian citizen
- "TARUS" - Valentin Norbert TARUS e.U. – Austrian individual enterprise
- Farmaceutica REMEDIA Distribution & Logistics S.R.L. (former SIBMEDICA S.R.L.)
- TARUS MEDIA S.R.L.
- SOCIETATEA FARMACEUTICA MAGHERU S.R.L.
- IMOBILIARA MAGHERU S.R.L.

7. Corporate governance

In 2018, the corporate governance structures operated normally, the Company administration and representation being within the competence and responsibility of the members of the Board of Directors (CA) and the General Manager.

Farmaceutica REMEDIA S.A. complies with the shareholders' rights, providing them with a fair treatment and submitting for approval any modification of the rights conferred at the general meetings, as well as of the legal regulations.

Company website - www.remedia.ro – provides information and access conditions, in Romanian and English languages, at the GMS documents, financial statements, current reports to BSE, dividends, policies implemented in compliance with the provisions of the Corporate Governance Code of 4.01.2016 for shareholders and prospect investors, it contains in the section dedicated to relations with investors the following subsections, updated in 2018:

- **Current reports**, according to the FSA Regulation No. 5/2018;
- **Shareholders' information** – the section includes information about General Meetings in preparation and Decisions of the OGMS/EGMS, Financial Calendar, Dividends and Shareholders' rights;
- **Financial information** – this section includes the Reports of the Board of Administrators and the quarterly, half-yearly and annual Financial Statements, for the years 2014/2015/2016/2017/2018;
- **Corporate governance** – this section includes all documents necessary and sufficient to ensure the compliance with the provisions of the Corporate Governance Code of BSE, updated according to the Current Report to BSE of 07.11.2018 (attached), by which Farmaceutica REMEDIA S.A. declares and

makes continuous efforts to fully comply with the new Code.

During 2018, the rest of reported nonconformities were also settled, as well as the Policies on the forecasts and financial risks implemented in 5.11.2018.

Also, the Corporate Governance Regulation was updated on 22.10.2018, as well as the Measures and procedures for the prevention of fraud and corruption on 18.12.2018, in compliance with the legal provisions in force.

During the financial year 2018, the President of the Board of Administrators convened 16 (sixteen) meetings, statutory met, of the Board of Administrators.

The members of the Board of Administrators participated in person, by telephone or e-mail, according to the Articles of Incorporation and the Internal Regulation of the Board of Administrators, to these meetings in which the following were presented, discussed, and approved as appropriate:

- quarterly, half-yearly and annual financial reports;
- organisational chart of Farmaceutica REMEDIA SA;
- annual commercial policy, marketing and sales strategies;
- GMS convocations;
- activity of the Audit Committee: the Board of Administrators evaluated the internal control system, analysing the effectiveness and the coverage of the internal audit position, the degree of adequacy of risk management and internal control reports presented by the Audit Committee and the promptness and effectiveness with which the executive management settles problems or deficiencies identified following the internal control and the reports presented to the attention of the Board;
- activity of the Remuneration Committee: the reports of this committee describe the essential elements of the afferent remuneration policy and the updated occurred in 2018 in compliance with the company's remuneration policy;
- meetings with investors and analysts: "Sa cunoastem business-ul la el acasa" (*Let us know business on its territory*) on 26.04.2018, an occasion on which the financial results for the financial year were presented 2017;
- relocation of REMEDIA pharmacies, sale of licenses and closure of non-profitable work points;

Following the meetings of the Board of Administrators, a number of 32 (thirty two) decisions were issued communicated to resort departments for implementation and fulfilment.

Also in the **Corporate governance** section, the following documents are found:

- a) Updated Articles of Incorporation of 5.12.2016;
- b) Council and Committees;
- c) Policies and Regulations, as follows:
 - Internal Regulation of the Board of Administrators;
 - Remuneration policy;
 - Policy for the distribution of dividends;
 - Policy of transactions with companies with whom Farmaceutica REMEDIA SA has tight relations, whose value is equal to or higher than 5% from the net

assets;

- Policy regarding the support of different forms of artistic and cultural expression, sports, educational or scientific activities;
- Policies on forecasts and financial risks.

8. Accounting financial statement (consolidated statements)

Farmaceutica REMEDIA

Income Statement (RON)

	dec.-18	dec.-17
Sales of goods	96,765,975	88,498,095
Discounts given	0	-3,359
Net Sales	96,765,975	88,494,736
COGS	78,452,769	69,780,055
Discounts Received	-2,812,187	-1,447,268
Net COGS	75,640,582	68,332,787
Gross Margin	21,125,393	20,161,949
Gross Margin (%)	21.83%	22.78%
Other Operating Revenues	3,844,342	3,820,263
Personnel	-16,935,305	-14,534,238
Other Operating Expenses	-7,409,386	-8,070,646
Total Operating Expenses	-24,344,691	-22,604,884
EBITDA	625,044	1,377,328
EBITDA Margin	0.65%	1.56%
Depreciation	-427,195	-330,723
Provisions - net	-2,779	553,000
Bad debts lost	-64,393	-711,862
EBIT	130,677	887,743
EBIT Margin	0.14%	1.00%
Financial Revenues	2,071,58	692,607
Financial Expenses	-5,086	-18,905
Financial income	2,066,495	673,702
EBT	2,197,173	1,561,445
EBT Margin	2,27%	1.76%
Tax on Profit	-56,152	-270,689
Net Profit	2,141,021	1,290,756

Net Profit Margin 2.21% 1.46%

**Farmaceutica REMEDIA
Balance Sheet(RON)**

	dec.-18	dec.-17
Total Assets	70,700,525	68,044,479
Cash	2,573,340	4,975,002
A/R	15,069,833	11,320,032
Inventory	14,766,284	13,011,127
Expenses in advance	56,946	74,524
Other Current Assets	284,734	128,888
Total Current Assets	32,751,137	29,509,573
Tangible Assets	30,281,566	30,695,699
Intangible Assets	7,089,522	7,283,048
Financial Investments	578,301	556,159
Total Long-Term Assets	37,949,388	38,534,906
A/P	25,246,920	23,810,600
Other ST payables	1,796,124	1,571,581
Payables to shareholders	241,226	214,756
ST Loans*	0	0
Current Liabilities	27,284,270	25,596,937
LT Loans*	0	0
Other LT liabilities	1,374,199	1,399,221
LT Liabilities	1,374,199	1,399,221
Provisions	10,449	0
Share capital	10,608,980	10,608,980
Reserves	29,281,606	29,148,585
Profit	2,141,021	1,290,756
Equity	42,031,607	41,048,321
Total Liabilities & Equity	70,700,525	68,044,479

*including financial leasing

Financial statements were audited by the independent financial auditor.

9. Economic-financial indicators

*Thousand Lei

LIQUIDITY AND WORKING CAPITAL	31.12.2018	31.12.2017
current liquidity (Current assets/Current liabilities)	1,2	1,15
Current assets	32.694	29.435
Current liabilities	27.295	25.597
degree of indebtedness (Borrowed capital / Equity x 100)	0 %	0 %
Borrowed capital (including leasing)	0	0
Equity	42.032	41.048
turnover speed for client debit items (average customer balance/turnover *365)	47 days	31 days
Average customer balance	12.625	7.728
net turnover	99.035	90.661
Turnover speed of liabilities (average suppliers balance/cogs*365)	125 days	127 days
Average suppliers balance	25.934	23.695
Cost of merchandise sold	75.641	68.333
Turnover speed of stocks (average stock balance/COGS * 365)	68 days	66 days
Average stocks balance	14.049	12.370
Cost of merchandise sold	75.641	68.333
turnover speed of fixed assets (turnover/fixed assets)	2,61	2,35
net turnover	99.035	90.661
Fixed assets	37.949	38.535
Gross profit margin (%) (gross profit/net sales)	2,22%	1,72%
Gross profit	2.197	1.561
Net turnover	99.035	90.661

Note:

1) **Current liquidity** – the indicator level reflects a good payment capacity, therefore an average risk, certifying that the company is capable of covering its short-term liabilities based on receivables and cash availabilities. The indicator evolved positively from 1,15% as at 31.12.2017.

2) **Degree of indebtedness** expresses the effectiveness of credit risk management, indicating potential financing, liquidity problems, with influences in honouring the assumed commitments. The value indicates that the company has no financing or liquidity problems.

3) **Turnover speed for client debit items** expresses company effectiveness in collecting its receivables, respectively the number of days until the date on which debtors pay their liabilities to the company. Considering the dynamics of sales and the specificity of the collection of receivables in the distribution of drugs, we believe

that the value of 47 days is a normal one under the given conditions. The indicator strongly depreciated from 31 days to 31.12.2017.

4) **Turnover speed of liabilities** represents the average period in which suppliers are paid. The indicator was maintained at approximately the same value as last year.

5) The value of the **No. of days on hand** indicator (68 days) involved from 66 days in 2017, being far from the one imposed by the company's internal procedures (45 days).

6) **Turnover speed of fixed assets** expresses the effectiveness of the management of fixed assets, by examining the turnover generated by a certain quantity of fixed assets. The indicator expresses a weak use of fixed assets, although it positively evolved from 2,35 to 2,61.

Bucharest, 15 March 2019

Board of Administrators,
President
"TARUS" - Valentin Norbert TARUS e.U.